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How and When Matters: An In-depth Look at Tennessee Public Accounting Professionals' Perceptions of International Accounting

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How and When Matters:

An In-depth Look at Tennessee Public Accounting Professionals'

Perceptions of International Accounting



Global Leadership Scholars Honor's Thesis

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Part One: Introduction

Since the Norwalk Agreement was signed in 2002, the Financial Accounting Standards Board and the International Accounting Standards Board have negotiated back and forth in order to create one common, globally consistent set of general accounting standards. The question is: why would the world want one set of consistent accounting standards to span across the entire globe? The answer was rather simple for these two accounting standard boards. In recent years, our world has become more globalized than ever. Corporations are not considering themselves limited to one country of origin. In fact, the largest corporations in the world, have expanded their presence into almost every continent in hundreds of countries, selling their products and services to millions of people, as well as, entering into the capital markets of foreign countries in order to facilitate cross-border financing. A degree in accounting is not necessary to realize the ever-growing complexities of maintaining financial records for multinational companies. The varying differences in these countries' accounting standards create a major obstacle for these companies. Since 2001, the International Accounting Standards Board has worked constantly to ease this obstacle by creating the International Financial Reporting Standards, a set of comprehensive accounting standards that would allow multinational companies to report their financial standing consistently across all their subsidiaries in several foreign countries. The IASB has faced several issues though to ensure all countries of the world adopt their standards (IFRS). Some countries have converted their standards to IFRS (International Financial Reporting Standards) completely; however many countries like Australia are adopting IFRS to a certain degree while maintaining a certain level of their old standards. The point of the Norwalk Agreement was to create a set of standards the United States could agree upon, as well as, create a set of standards countries would be more susceptible to adopting in their entirety.

It is now 2015, and we are well aware the agreement has enabled the FASB and the IASB to make advances in the convergence of the two standards. Both boards have experienced difficulty agreeing in some aspects, while they have agreed with others more easily. With these discussions, a great deal of news has been released regarding IFRS and their convergence with US GAAP. Many US multinational companies are beginning to see the advantages of adopting IFRS to streamline their financial reporting across their international business. In fact, some accounting professionals have recently suggested for US firms to begin to voluntarily adopt IFRS for their companies. The SEC has allowed international companies publically traded in the United States to file their reports with the SEC in compliance with IFRS and other accounting standards for several years. Discussions of the convergence of US GAAP and IFRS have been at the forefront for international economists and accounting experts since 2002, but what are the opinions of those who would be most affected: US CPAs and other accounting professionals?

This brings us to the topic of this thesis project. What are the opinions of Tennessee CPAs and other accounting professionals practicing public accounting in regards to IFRS? What are their opinions of several current, important issues regarding the convergence of US GAAP and IFRS? Do they believe there is a degree of unfairness for foreign companies to report their earnings in compliance with IFRS if they are publically traded in the United States? Should US companies adopt IFRS on a voluntary basis? This research should help to uncover Tennessee professionals' opinions on these IFRS/ international accounting issues and determine if a correlation exists between these opinions and the professional's firm background, educational background, ownership of their CPA license, and their number of years of professional experience. The results that have been concluded upon have several aspects some believed were

probable; however, some findings were more unexpected and leave room for further discussion in the future.

Part Two: Literature Review

The main reason of this research was to fill a gap created by the media and literature regarding what accounting professionals' opinions were regarding the constant development of international accounting standards and what effect these series of events have on the future of the accounting profession and its professionals in the United States, and in regards to this project, the state of Tennessee. With preliminary research, several international accounting issues and their effects on the United States and its accounting firms were uncovered; however, one overarching theme seemed to always make its way to the surface: there were no substantial opinions recorded or attempted to be recorded coming from those in the United States. Some accounting professionals see the unusual nature that the country at the forefront on many issues regarding IFRS and their global acceptance has not had their opinions recorded well enough to be heard. The opinions of international countries are readably available on how the country has been able to adopt or adapt IFRS to meet their needs. The articles then tend to expand on how the United States could or should be able to adopt the standards. When you are able to obtain an opinion from someone in the United States, the opinion seems to be from someone who is involved heavily in politics or economics. Even though the opinions of these professionals are valid and important, there should be only one opinion that should stand out from the crowd: the opinion of the professional who works with the standards every day, the public accounting professional. This again brings us to the purpose of the study: to make the accounting professionals' opinions known on the four current international accounting issues selected based on the initial literature review. These topics will be discussed in much greater detail throughout the methodology and

results sections of this thesis. The next section will discuss what is currently known on these four international accounting issues. Not much is known as to the status of the current idea of allowing US companies to voluntarily adopt IFRS, so this review emphasizes the four topics heavily addressed in the survey. The purpose of this research is to enable the Tennessee accounting professionals' voices and determine what their opinions are in order to fill this current void in the research.

I. Current Standings on Unfairness of International SEC Filings

The first issue in the initial literature review is whether or not professionals find unfairness in the SEC allowing international companies traded in the United States the opportunity to file their financial statements in compliance with their own country's standards and not US GAAP. The rule on the official SEC website states: "foreign companies may prepare their financial statements using a comprehensive body of generally accepted accounting principles (GAAP) other than U.S. GAAP. Foreign companies that present their financial information in accordance with the GAAP of their home country or International Financial Reporting Standards must include a reconciliation of significant variations from U.S. GAAP (SEC 2004)." The number one issue that comes to mind is comparability. The pronouncement was a result of constant pressure from international companies who wanted to trade in the United States but who did not want to deal with the regulations put forth by the SEC. An article, "Foreign Stock Listings: Benefits, Costs, and the Accounting Policy Dilemma", published in *Accounting Horizons* in 1991 outlined what some of the benefits and costs were of these international companies to file in foreign countries such as the US. The authors, Gary Biddle and Shanrokh Saudagaran, go on to say the SEC had made the transition easier in 1982 by allowing these international firms the opportunity to file their financial statements in their own country's

standards and not in conformity with US GAAP. At the time of the article, there were even talks to continue to relax the remaining US GAAP conversions required on pertinent and material components of the financial statements to allow for a more difficult comparison to US competitors in order to appeal to more international firms and entice them to trade in the US markets (Biddle & Saudagaran 1991). Stephen Zeff of *The British Accounting Review* had a valid opinion when he stated comparability is a very important aspect in global business (Zeff 2007). Now with US GAAP reconciliations for significant variations between the two sets of accounting standards becoming less of a priority, there were some expectations of dislike from Tennessee professionals to be revealed in the survey results. Some believe this issue could be resolved with the convergence of US GAAP and IFRS to create global standards so misconceptions of comparability are eliminated. This, however, brings us to our second current international accounting issue: what is the status of this convergence and has it progressed over the past ten years or is it beginning to come to a standstill once again.

II. Current Standings of US GAAP / IFRS Convergence

Like mentioned before, the Norwalk Agreement in 2002 was a starting point for the FASB (the standards setting board for US GAAP) and IASB (the standards setting board for IFRS) to start their efforts to converge standards to allow issues such as the SEC filing comparability issue to be resolved. Ever since the agreement, there have been a wide variety of differing opinions, most of which are coming from economists, politicians, or other accounting experts who do not work with the standards every day and not have to change their day-to-day professional routines once the convergence was completed. In a 2010 *Accounting Horizons* article by Luzi Hail, Christian Leuz, Peter Wysocki entitled “Global Accounting Convergence and the Potential Adoption of IFRS by the U.S. (Part I): Conceptual Underpinnings and

Economic Analysis”, they believed there are several things that are vital in rationalizing the possible convergence of the two standards sets. The largest of these was illustrated in the preceding section by Mr. Zeff: comparability. The other issue laid out by Hail, Leuz and Wysocki is probably the most valid as to why the convergence has come to a stop several times since 2002. Other than the constant struggle by humans to uncover who is right and who has the best answer, the cost of the probable convergence and its current conventions has not been economical and will only increase over time (Hail, Leuz, & Wysocki 2010). When conducting the research, some believed fear of increased cost to firms in training and development costs would cause concern for accounting professionals and their firms. In addition, some also believed these costs would transfer down to the companies they serve and could cause harm to the companies and, in turn, the accounting firms. The article: “Some Implications of IFRS Adoption for Accounting Education” detailed there are several educational hurdles professionals may face if the United States was to converge to IFRS (Jackling, Howieson, & Natoli 2012). This article, as well as, time spent with several accounting professionals across several different firm types, have helped to uncover some of these educational constraints. Lease standards seem to be the current topic between the two boards, and the current constraint between each other. Accounting professionals know the difficulty of lease standards and understanding the difference in rules and principles involved with leases. The training alone would cause a major investment in time for firms, let alone the capital implications for retraining an entire staff. As suspected, the convergence will be difficult to finalize, but this project helped to discover what Tennessee professionals believed as to if the inevitability of the convergence has changed over time. After all, that was the purpose of this study, to see what people have already said about this issue, and

then dig down to see what those who work with the standards every day have to say about the convergence as well as these other international accounting issues.

III. Current Status of Degrees of IFRS Adoption

A recent development states companies can solve the convergence dilemma and bottleneck as well as the comparability issue by simply allowing US companies the opportunity to adopt IFRS on a voluntary basis. Could this be from several years of pressures from different countries and their experts for the US to adopt IFRS and not converge with them? The article: “IFRS in the United States: If, When and How” states that in order for the U.S. to achieve global accounting standards, it must adopt IFRS (Street 2012). Her article is very straight forward in its thinking. She simply goes into the fact convergence is not the way to go. The only real solution is for the United States to adopt the standards as they are. This is a straightforward statement; however, several foreign countries have adopted the particular portions of the global standards that made sense for them financially, not the entire set of standards. Some other foreign countries are even organizing their own convergence projects to converge their own standards with IFRS. Many experts believe these countries are adopting IFRS when in reality they may or may not be, but it was interesting to see what Tennessee accounting professionals opinions were as to whether or not these countries could claim such victories. Overall, this dilemma has caused some to wonder if we will ever be able to have a consistent set of global standards to help with comparability. If not, why would US companies simply adopt a new set of standards still inconsistent with other countries?

IV. Current Status of Perceptions of Difficulty: US GAAP v. IFRS

The last issue at the forefront of this research project is whether or not Tennessee accounting professionals believe US GAAP are harder to implement and execute than IFRS.

There have not been any professional opinions in the literature as to whether they believe they are simpler, but Lawrence Gill at the *Journal of Accountancy* laid out a few differences some perceive as a way to differentiate IFRS as simpler to implement than US GAAP (Gill 2007). One of these differences is the fact IFRS are more principles based and US GAAP are more rules based. This allows for the IFRS regulations to fill roughly 2,000 pages. US GAAP, on the other hand, is 2,000 pronouncements, each consisting of hundreds of pages (Forgeas 2008). Some consider reading through those hundreds of thousands of pages more difficult. Some believe leaving much to interpretation is harder. The opinions of Tennessee accounting professionals allowed us to somewhat determine what those that actually work with US GAAP and other international accounting standards believe as the easier to apply. This literature review allowed the research to be created in the form of a survey to be given to these accounting professionals. The following section outlines what exact procedures were enacted to determine Tennessee professionals' opinions on these international accounting issues and what could be the cause of why and how the opinions are shaped.

Part Three: Methodology

I. Discovery of Topics

In order to accomplish the research, what was learned from the literature review was used to create a plan that would uncover any correlation or connection between Tennessee accounting professionals and their opinions on current international accounting issues. Through my literature review, four topics were uncovered that are prominent in the profession today. Those four topics are as follows:

- The inevitability of the IFRS / US GAAP convergence ten years ago and its comparability to the inevitability of the convergence today

- The feasibility to say foreign countries are adopting IFRS in their entirety and not simply adopting portions in order to create the most convenience for them
- The unfairness to US companies to allow foreign companies publically traded in the US to file in their own country's accounting standards instead of US GAAP
- The fairness to say IFRS are easier to adopt and implement than US GAAP.

After additional consideration was given, a free response question as to what Tennessee public accounting professionals thought about the recent topic of US companies beginning to adopt IFRS voluntarily was added to this study. Once these topics were chosen, a sample size was developed. A survey among professionals was determined the most efficient way to gather and examine these opinions to uncover any correlation between these opinions and four selected attributes of the Tennessee accounting professionals.

II. Determination of Independent Variables

The next step was to determine the four attributes or independent variables used to determine if there was any correlation or connection to the dependent variables, the accounting professionals' opinions of the selected international accounting issues.

A. Educational Background

The first attribute which could be relevant was the accounting professionals' educational background (i.e. what is the highest level of degree they received in order to receive a job in public accounting). Some believe this could be relevant because varying degree types could be a cause for changes in opinions in international accounting issues and how they relate to accounting in the US. A Master's in Accounting could expose a professional to more pressing issues that could result in a greater acceptance for international accounting and its acceptance in the US. A MBA or simply receiving 150 hours could cause a professional to receive other

influences that could influence their opinions in the opposite direction from someone with a greater number of accounting hours.

B. Professional Tenure

The second independent variable that could reveal some correlation is the tenure or the number of years the professional has worked in public accounting. Some believe there could be two reasons why the number of years' experience could be a factor in differing opinions between Tennessee professionals. The first is the inference that professionals with a longer tenure would be less willing to adapt to the changing rules, standards, and regulations that would come with the convergence and therefore have more apathetic opinions as to these four international accounting issues. They would be more inclined to retire than go through the intensive training that would inevitably follow the convergence. The second issue which could be uncovered is the correlation between their tenure and significant events that have occurred over the years. Ten years ago the convergence was much more prominent than it is today so there could be some correlation between when they began their career and their opinions based on if that start date correlated around a major international accounting issue or a pivotal breakthrough in the convergence.

C. Firm Experience

The next attribute that could have a correlation to their opinions would be their firm experience (i.e. what type of firm the professional works for). The Big 4 firms are internationally focused with clients located in almost every country. This causes these firms to have a need for a portfolio of properly trained accounting professionals who can handle any issue requiring an expertise on a wide variety of international accounting issues especially as countries continue to change over their accounting standards to increase comparability and increase cost savings. A

small local firm or even a larger regional firm with a majority of US clients would not be as concerned with these international accounting issues because their clients may only have domestic operations or they are able to avoid the complexities of being publically traded.

D. Possession of CPA License

The last independent variable or attribute that was to be considered in this study was whether or not the professional has obtained his or her CPA license. The possession of a CPA license could sway a professional and their opinions simply because of constant CPE training to maintain the license would more likely than not expose the professional to constant updates regarding the status of these four international accounting issues.

III. Hypotheses Defined

After determining the attributes that would be considered independent variables, five hypotheses were determined for the study.

- **Hypothesis One** states: “Tennessee public accounting professionals’ opinions on whether or not IFRS are less difficult to implement than US GAAP will be affected by their professional tenure, educational background, firm experience, possession of a CPA license, or any combination of the preceding attributes.”
- **Hypothesis Two** states: “Tennessee public accounting professionals’ opinions on the unfairness of the SEC allowing international companies traded in the US to file their financial statements in their own country’s accounting standards and not US GAAP will be affected by their professional tenure, educational background, firm experience, possession of a CPA license, or any combination of the preceding attributes.”
- **Hypothesis Three** states: “Tennessee public accounting professionals’ opinions on whether or not foreign countries are adopting IFRS in its entirety and not just portions to

meet their needs will be affected by their professional tenure, educational background, firm experience, possession of a CPA license, or any combination of the preceding attributes.”

- **Hypothesis Four** states: “Tennessee public accounting professionals’ opinions on whether or not they believed the convergence of US GAAP and IFRS ten years ago was inevitable will be affected by their professional tenure, educational background, firm experience, possession of a CPA license, or any combination of the preceding attributes.
- **Hypothesis Five** states: “Tennessee public accounting professionals’ opinions on whether or not they believe the convergence of US GAAP and IFRS today is inevitable will be affected by their professional tenure, educational background, firm experience, possession of a CPA license, or any combination of the preceding attributes.

IV. Determination of Population, Sample Size, and Survey Instrument

A. Population and Sample Size

After outlining the hypotheses, we had to determine the sample size and the best way to collect the opinions of these Tennessee accounting professionals and compile the results. In order to have a sufficient sample, there would need to be 100 responses from Tennessee public accounting professionals from all over the state. The sample needed to include a wide variety of professionals that covered several firm sizes with several different educational tracks and levels of tenure. This was accomplished through contacting several firm recruiters who got us in touch with the professionals at the firms. These recruiters are employed by the Big 4 firms, several national, regional, and local firms in the state. These professionals were contacted via an email outlining the premise of the study and a link to the survey via Qualtrics. Qualtrics was used for the study because it allowed the professionals to answer the survey more easily, and the

results would be completely anonymous once they were sent back to the website. The software was also very convenient because it allowed analyzation of the results without having to move the data to an outside program. The survey seemed the most feasible method for this research project because of the large sample size and the distance between the respondents and the administrators of the survey. A face-to-face interview could have allowed for a more in-depth study; however, the feasibility was quite impossible to interview 100 accounting professionals face-to-face.

B. Survey Design

The survey was designed to take the least amount of time possible for the professionals because of their workload and busy schedules. The filter questions are presented first which provides information on where the people work, how long they have worked, what their educational background is, and whether or not he or she is a CPA. The next questions address the main research question at hand: what are their opinions of these current international accounting issues? The questions are set up on a five-point Likert scale, asking the CPA to rank their opinions as strongly agree, agree, neutral, disagree, or strongly disagree. The last three questions ask the professional to freely respond to bring to light any other international accounting issues facing the profession today including their opinion on the recent topic of US companies adopting IFRS voluntarily. The responses were compiled once they were received and analyzed to determine if any correlation existed between the first questions or the independent variables and the final survey questions or the dependent variables. The survey instrument is the first document labeled Exhibit A in the appendix.

Part Four: Results

I. Population and Sample Size Redefined and Explained

As discussed in the preceding section, the population for this particular research study is Tennessee accounting professionals who are actively working in the public accounting profession. After three months of data collection, 103 accounting professionals' opinions were collected via Qualtrics. This exceeded the previous goal of surveying 100 accounting professionals.

A. Demographics of Sample

Of the 103 public accounting professionals that responded to the survey, 48% were professionals who have worked for their public accounting firm for less than five years. Fifty-five percent of the population had obtained their undergraduate and master's degrees in accounting which we are perceiving as a correlation to a large majority of the respondents having a professional tenure of less than five years as this has become the traditional educational path for accounting students to receive the hours required for the CPA license especially in Tennessee. In addition, 77% of the respondents of the study also have their CPA license which is very common for professionals working in public accounting. Half of those willing to take the survey work for a Big 4 accounting firm. The results of the opinions of these 103 Tennessee professional accountants are in the following sections.





II. Perceptions with Tennessee as Only Control

A. Perceptions of Difficulties: IFRS v. US GAAP

When looking at the data, knowing that you are only controlling for the state the professional works in, the results are quite interesting. When asked whether they believed US GAAP were more difficult to implement than IFRS because they are more principles-based, a large percentage, 52% of respondents, had no opinion or were neutral on the issue. In fact, 0% of

respondents strongly agreed with the statement. What was even more interesting is the next most popular response, 27%, was that the professionals disagreed with the statement, making one believe Tennessee CPA professionals were more prone to accepting IFRS than one would think. Exhibit One outlines the exact spread between these Tennessee professionals and their opinions on whether or not IFRS are less difficult to implement than US GAAP.

EXHIBIT ONE: Opinions on Varying Difficulty between US GAAP and IFRS


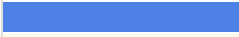
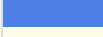


#	Answer		Response	%
1	Strongly Agree		0	0%
2	Agree		17	17%
3	Neither Agree nor Disagree		54	52%
4	Disagree		28	27%
5	Strongly Disagree		4	4%
	Total		103	100%

B. Perception on Unfairness of SEC Ruling

The overall responses to the next question regarding the unfairness of allowing international companies traded in the United States the ability to file in their own accounting standards was not unusual from the data gathered in the literature review. In fact, 60% of respondents either strongly agreed (10%) or agreed (50%) with this statement. This could lead one to believe accounting professionals may not agree with the SEC and their current rulings on this current issue that could hinder US companies in the future on a comparability standpoint. Exhibit Two displays the overall agreement of Tennessee public accounting professionals on the fairness issue of foreign companies trading in the United States to have the ability to file their financials in their own accounting standards. It could be interpreted that this shows Tennessee accounting professionals agree with the economists, politicians, and other corporate leaders that comparability is a huge issue to US firms and their ability to compete with foreign companies on

paper. Additionally, some could expect to see accounting professionals in general believe one simple difference in a revenue recognition or liability standard could make or break a US company and keep them from receiving investment funds because a foreign competitor appears financially healthier due to a technicality in differing accounting standards.






EXHIBIT TWO: Unfairness of Non-US GAAP SEC Foreign Company Filings

#	Answer		Response	%
1	Strongly Agree		10	10%
2	Agree		52	50%
3	Neither Agree nor Disagree		22	21%
4	Disagree		18	17%
5	Strongly Disagree		2	2%
	Total		104	100%

C. Perceptions on Degree of Foreign IFRS Adoption

A documented fact is that foreign countries are adopting an IFRS principle here and a standard there in order to meet the needs of the country's particular financial situation. Few countries have actually adopted IFRS in their entirety. With this fact known, we have the ability to see that 7% of respondents strongly agreed and 46% of respondents agreed with this statement. Thirty-seven percent of respondents; however, did not have an opinion regarding this international accounting issue which could be interpreted as many US public accountants really not having any opinion on IFRS adoption behaviors because it is not something currently perceived as important in the United States. Exhibit Three illustrates the spread of opinions in regard to the degree of IFRS adoption by foreign nations.

EXHIBIT THREE: Opinions on Degree of IFRS Adoption among Foreign Nations

#	Answer		Response	%
1	Strongly Agree		7	7%
2	Agree		48	46%
3	Neither Agree nor Disagree		38	37%
4	Disagree		6	6%
5	Strongly Disagree		5	5%
	Total		104	100%

D. Perceptions of IFRS / US GAAP Convergence 10 Years Ago v. Today

Tennessee accounting professionals' opinions on the status of the convergence of US GAAP and IFRS some could perceive as expected when looking at the results. Ten years ago, 53% of professionals believed the convergence was inevitable. Thirty-six percent of the sample; however, had no opinion about the convergence. Ten years ago, one could interpret this as inevitable because many accounting professionals, especially in Tennessee, did not work with companies and clients where international accounting was an issue to consider. At the time, opinions were hard to come by because many just did not have a knowledge of international accounting and what effects the convergence would have on the profession. Opinions based on today's status of the convergence could be interpreted as somewhat predictable. Those that disagreed with the inevitability of the convergence rose from 12% to 33% over the past ten years. In fact, the number of professionals who agree with the convergence dropped to 47% and the number with no opinion also dropped by 16% to 20%. One possible explanation of these results is as follows: in the past ten years, US businesses have grown exponentially with many of these companies entering into global operations. When these companies grew, their accounting professionals had to become more and more aware of what was going on in these other countries and their accounting standards, in most cases how they were handling IFRS and their adoption of

the standards. These professionals have become more aware of international accounting issues, and as a result of that, their opinions have changed regarding the convergence of US GAAP and IFRS. Another possible explanation for the change in convergence opinions is a result of the convergence planning process laid out by the FASB and IASB. At the beginning of the convergence, the two standards boards set out to accomplish several goals in a timely manner in order to build the confidence of accounting professionals in the US. The topics of interest were fairly low risk and agreement between the two boards was not difficult to achieve. Some could perceive this as a direct correlation to professionals having a greater confidence in the inevitability of the convergence ten years ago. In more recent years, the topics of interest, such as lease agreements, have caused a larger challenge for the two boards to agree upon a solution. This constant disagreement between the two boards has caused several of these accounting issues to be set aside until a later date. This behavior could be the cause of so many professionals changing their opinion on the inevitability of the convergence. When asked what changed their opinions, the answers were very diverse. Most who believe they gained an opinion about the convergence in the past ten years contribute their opinion to our business world here in the US becoming more and more globally focused. Some professionals believed the convergence is slowing down due to the political nature of the convergence and disagreement of the two standards setting boards. Others also believe countries not adopting IFRS in their entirety have been disheartening to the US because why would we as a country converge with standards no one will adopt in their entirety. Tennessee accounting professionals are also split in opinion in regard to the proposal to voluntarily adopt IFRS as the answer to our convergence dilemma. Exhibits Four and Five illustrate the results of whether opinions have changed on the inevitability of the convergence of US GAAP and IFRS.

EXHIBIT FOUR: The Inevitability of US GAAP/IFRS Convergence Ten Years Ago


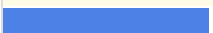
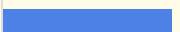





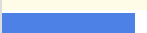

#	Answer		Response	%
1	Strongly Agree		10	10%
2	Agree		45	43%
3	Neither Agree nor Disagree		37	36%
4	Disagree		8	8%
5	Strongly Disagree		4	4%
	Total		104	100%

EXHIBIT FIVE: The Inevitability of US GAAP / IFRS Convergence Today

#	Answer		Response	%
1	Strongly Agree		6	6%
2	Agree		43	41%
3	Neither Agree nor Disagree		21	20%
4	Disagree		29	28%
5	Strongly Disagree		5	5%
	Total		104	100%

These initial results were very interesting to discover the opinions of public accounting professionals in Tennessee without delineating them based on the other controls that were asked of the professionals. The true story was discovered as to what shaped these opinions once other controls were put against the survey results.

III. Length of Tenure: Its Effects on Professionals' Opinions**A. Tenure Effects on Perceptions of SEC Filing Ruling Unfairness**

When length of professional career was controlled for, some statistically significant results were discovered. With a p-value of 0.05, a connection was discovered between the length of a Tennessee professional accountant's career and his or her perception of whether or not there

is a degree of unfairness for foreign companies traded in the United States to file with the SEC in their own country's accounting standards. Exhibit Six provides an illustration as to the opinions of Tennessee accounting professionals regarding the SEC foreign company filing policies currently in place. In fact, 49% of those who agreed with this statement had been in their career for less than five years; however, the only group to have respondents who strongly disagreed with this statement came from the zero to five years of professional experience group. Even though only two people strongly disagreed with the sentiment, it was interesting to possibly see globalization at work. From these results, one could interpret that those with less professional experience have seen and studied in a generation that realizes allowing the free flow of capital between countries allows for a better global economy. These teachings will only continue so we could expect more and more public accounting professionals in Tennessee will begin to see the upside to easing the burden of foreign companies the access to United States stockholders. Exhibit Seven shows the spread in opinions of this younger generation of professional public accountants. In addition, of the professionals with a tenure between five and ten years, 64% of those who answered the survey agreed that the rule was unfair to US companies. The only group to feel strongly neutral to the ruling were those professionals with a tenure between ten and twenty years. One interpretation is that this may not be an unusual occurrence because the timing of the SEC decision to allow their foreign filings and the updates that followed the original ruling coincide with their professional career and their start dates. Exhibit Eight illustrates the strongly neutral opinions of those professionals with ten to twenty years' experience. Those with less experience may not be as aware of what went into the ruling so they may have formed unfair opinions due to a lack of exposure as to why the SEC decided to allow foreign companies to do this.

EXHIBIT SIX: Connection between Tenure and SEC Foreign Filing Opinions

	1. How long have you been practicing public accounting?				Total
	Zero to Five Years	Five to Ten Years	Ten to Twenty Years	Over Twenty Years	
Strongly Agree	2	0	3	5	10
Agree	25	14	4	8	51
Neither Agree nor Disagree	10	4	6	2	22
Disagree	10	4	2	2	18
Strongly Disagree	2	0	0	0	2
Total	49	22	15	17	103

EXHIBIT SEVEN: Spread of SEC Foreign Company Filing Policies Opinions: 0-5 Years






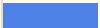



#	Answer		Response	%
1	Strongly Agree		2	4%
2	Agree		25	51%
3	Neither Agree nor Disagree		10	20%
4	Disagree		10	20%
5	Strongly Disagree		2	4%
	Total		49	100%

EXHIBIT EIGHT: Spread of SEC Foreign Company Filing Policies Opinions: 10-20 Years

#	Answer		Response	%
1	Strongly Agree		3	20%
2	Agree		4	27%
3	Neither Agree nor Disagree		6	40%
4	Disagree		2	13%
5	Strongly Disagree		0	0%
	Total		15	100%

B. Tenure Effects on Perceptions of IFRS / US GAAP Convergence 10 Years Ago

The perceptions of the convergence of US GAAP and IFRS ten years ago after the Norwalk Agreement also appear to be in connection with the career lengths of the Tennessee accounting professionals that were surveyed. Over 55% of the 49 professionals surveyed with less than five years' experience had no opinion as to the point of the convergence ten years ago which could be because most of these professionals were still in high school at the time and the status of the convergence probably not of much importance ten years ago. In addition, 40% and 71% of those with a tenure of ten to twenty years and over twenty years respectively agreed that the convergence was inevitable at the time. One possible explanation to this phenomenon is that these professionals were in the middle of their careers so they would have been more aware of the possible convergence and the ramifications it would have had on the future of their careers. The following chart, Exhibit Nine, illustrates the findings discussed above and shows the statistically significant connection between professional tenure and the status of the convergence of US GAAP and IFRS ten years ago.

EXHIBIT NINE: Connection between Convergence Opinions Ten Years Ago and Tenure

	1. How long have you been practicing public accounting?				Total
	Zero to Five Years	Five to Ten Years	Ten to Twenty Years	Over Twenty Years	
Strongly Agree	4	5	1	0	10
Agree	14	12	6	12	44
Neither Agree nor Disagree	27	2	5	3	37
Disagree	2	3	2	1	8
Strongly Disagree	2	0	1	1	4
Total	49	22	15	17	103

IV. CPA Licensure: Its Effect on Perceptions of International Accounting

The perceptions of the inevitability of convergence also seem to be impacted by whether or not the professional has his or her CPA license. This appears to be statistically significant with a p-value of 0.03. Of those that agreed with the inevitability, 38 out of the 44 had their CPA license. Of the professionals without a CPA license, 63% of those professionals had no real opinion when it came to the convergence of IFRS and US GAAP ten years ago. There are a few things one could extrapolate about these results. One could say that those with a CPA license have received a higher level of education than those who have not. This higher level of education could have resulted in a better understanding of the convergence and what it could do for the world of international business. On the other hand, those with a CPA licensure are the ones in a firm who hold the greatest amount of responsibility when interacting with clients and keeping up-to-date with the current developments of the profession. This could allow these professionals with a CPA license the exposure they would need to form an opinion about the convergence. In the case of this study, this could be considered a connection to these convergence opinions when the idea of convergence was originally put into play ten years ago. The following exhibits show the differing in opinions due to the professional having or not having a CPA license. Exhibit Ten shows the spread of opinions when the professional had their license and Exhibit Eleven shows the spread of opinions when the professional has not earned their CPA license.

EXHIBIT TEN: Opinions of Convergence Ten Years Ago due to CPA License








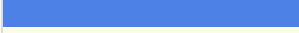

#	Answer		Response	%
1	Strongly Agree		9	11%
2	Agree		38	48%
3	Neither Agree nor Disagree		22	28%
4	Disagree		6	8%
5	Strongly Disagree		4	5%
	Total		79	100%

EXHIBIT ELEVEN: Opinions of Convergence Ten Years Ago due to No CPA License

#	Answer		Response	%
1	Strongly Agree		1	4%
2	Agree		6	25%
3	Neither Agree nor Disagree		15	63%
4	Disagree		2	8%
5	Strongly Disagree		0	0%
	Total		24	100%

V. Type of Firm Experience: Its Effect on Perceptions of International Accounting

The type of firm these Tennessee professionals work for also seems to have a connection with perceptions of the convergence of IFRS and US GAAP ten years ago with a p-value of 0.05. An interesting fact to discover was the group with the largest percentage (69%) to agree with the inevitability of the convergence was those professionals that work for a large regional firm. The group that works for a Big 4 firm had the second largest percentage to agree with 44%. Interestingly enough, the next largest percentage (27%) of Big 4 respondents had no opinion when it came to the convergence ten years ago. In fact, every firm type group except those that work for local firms saw an interesting phenomenon. If the Tennessee public accounting professional did not agree with the inevitability of the convergence ten years ago, they were

completely neutral on the opinion. One could interpret that at the time many accounting professionals just did not want to form opinions on the convergence because most were skeptical and did not care to follow or believe it would or would not occur. In addition, 77% of those professionals that work for a local firm had no opinion as to the convergence. From personal conversations with these professionals, they tend to not bother worrying about the convergence because it would have little to no effect on their local clients and therefore, not be of any concern to them. These results could extrapolate that larger firms are better prepared to inform their professionals on what is going on in an international accounting setting. This is understandable because with the ability to serve international clients, these accounting firms must be up-to-date on what is going on with the convergence both ten years ago and today. Exhibit Twelve illustrates how firm type had an effect on Tennessee accounting professionals' opinion ten years ago.

EXHIBIT TWELVE: Firm Type Effects on IFRS / US GAAP Convergence Ten Years Ago

	4. What size/type of accounting firm do you work for?					Total
	"Big 4" Firm	National Firm/International Firm not considered a "Big 4"	Large Regional Firm	Small Regional Firm	Local Firm	
Strongly Agree	7	0	1	0	2	10
Agree	23	1	11	8	1	44
Neither Agree nor Disagree	14	0	3	10	10	37
Disagree	5	0	0	3	0	8
Strongly Disagree	3	0	1	0	0	4
Total	52	1	16	21	13	103

VI. Effects on Perceptions: Tenure and Whether or Not CPA Licensure is Held

With a p-value of 0.01, there appears to be an even more statistically significant connection between the perceptions of Tennessee accounting professionals opinions and their tenure and possession of a CPA license. Of the 54 that either strongly agree or agree, 87% of those professionals have their licensure. This graph also reiterates that the majority of

professionals who either strongly agree or agree come from the five to ten year or over twenty year professional experience categories. This illustrates the extrapolated conclusion that if the professional was either studying during the beginning of the convergence in the classroom or experiencing it in the public accounting field, they were more prone to accept the convergence because they are and were just better informed. One could predict that the prime combination to ensure a Tennessee professional believed the convergence was inevitable ten years ago was those professionals with over twenty years' experience with their CPA license. Exhibit Thirteen outlines the exact results.

EXHIBIT THIRTEEN: A Perfect Combination: Years' Experience and CPA Ownership

	1. How long have you been practicing public accounting?								Total
	Zero to Five Years		Five to Ten Years		Ten to Twenty Years		Over Twenty Years		
	3. Do you have a CPA certification including an active license to practice?								
	Yes	No	Yes	No	Yes	No	Yes	No	
Strongly Agree	3	1	5	0	1	0	0	0	10
Agree	9	5	11	1	6	0	12	0	44
Neither Agree nor Disagree	14	13	2	0	3	2	3	0	37
Disagree	2	0	1	2	2	0	1	0	8
Strongly Disagree	2	0	0	0	1	0	1	0	4
Total	30	19	19	3	13	2	17	0	103

VII. What about the Rest? Is There a Connection or Correlation?

Through the results of this survey, we can see more clearly what actually may be a factor in what persuaded an accounting professional practicing public accounting in Tennessee to agree or disagree with the convergence of US GAAP and IFRS ten years ago. There has also been evidence discovered as to what may be a factor in causing an accounting professional to agree or disagree with the unfairness of allowing foreign companies traded in the United States the ability to file their financial statements with the SEC in their own country's standards. There are some

situations; however, where there was no real connection discovered. These situations are as follows:

- Whether or not IFRS are easier to implement than US GAAP
- Whether or not countries are actually adopting IFRS or only parts to suit their financial accounting needs, and
- Whether or not the convergence is still as inevitable today as it was ten years ago?

Even though the opinions were discovered and discussed in the previous section as an entire Tennessee sample, there was no statistical significant connections or correlations between these opinions and the professional's tenure, firm experience, educational path, and ownership of a CPA license. This being said, the statistically significant results that were discovered do open up greater opportunities to uncover what else could cause a professional's opinions to sway one way or another. This could also open up opportunities to further research the opinions of professionals all over the country to see if the results would be similar in regard to what shaped the opinions of these 103 Tennessee public accounting professionals.

Part Five: Conclusion

With all of the data collected and analyzed, the opinions of Tennessee public accounting professionals have been recorded and the answers were both surprising and expected to a certain degree. A voice has finally been given to the professionals who work in the field every day, the professionals who work in accordance with the standards every day, and the professionals who are most affected by the decisions of governing boards over the profession. With the five identified accounting issues discussed in this thesis project, we were able to discover a few probable explanations as to what exactly shaped the international accounting opinions of the 103 Tennessee public accounting professionals that were interviewed during the study. When looking at the data, we see there were some correlations and connections between these professionals'

and the credentials they have earned throughout their professional and educational careers. Even though there were not statistically significant connections or correlations with all of the international accounting issues addressed, the connections that were discovered revealed what could be the credentials and experience an accounting professional would need to be more accepting or reluctant of the ever expanding world of international accounting especially within the five specific areas of international accounting discussed and researched in this study.

Even though some would consider only proving two hypotheses true within this study as a disappointment, it is ultimately a discovery into what has never been asked of those professionals who are most affected by what occurs in international accounting. It was a discovery as to what their opinions are and a discovery into what causes these opinions to be what they are today. When it came to the fifth issue, the free response question as to what the professionals' opinions were as to the possibility of allowing US companies to begin voluntarily adopting IFRS, it was interesting to see the professionals in Tennessee to be split 50/50 on this exact issue. This somewhat ties into the first hypothesis that was proven true in this particular study.

A. Summary of Results

Hypothesis Two addressed the fact Tennessee public accounting professionals would believe in the unfairness to US companies that foreign companies traded in the US were able to file their statements with the SEC within the parameters of their own country's standards. The majority of Tennessee accounting professionals agreed with this statement. We were able to see that the length of tenure was statistically significant enough to extrapolate that there is a connection between the opinion of the unfairness to the US companies and the professional tenure of the Tennessee accounting professional.

The other hypothesis with significant results was Hypothesis Four which involved the professionals' opinion on the inevitability of the US GAAP / IFRS convergence ten years ago shortly after the Norwalk Agreement was signed in 2002. The results were quite significant with several of the independent variables in this study discovered as having a statistically significant connection with this particular international accounting issue. Those particular variables were:

- possession of a CPA license
- type of firm the professional is employed with
- length of tenure, and
- a combination of CPA license and length of professional tenure

These variables proved to have a statistically significant connection or correlation with the professionals' opinions of the inevitability of the convergence ten years ago with the combination of attributes proving to have the most significance on this particular opinion. When asked what made a difference in their opinions on the convergence today and ten years ago, ever expanding globalization, more information, and the results of past discussions of the FASB and IASB were the most popular responses.

B. Final Remarks

All in all, the point of this thesis was to unveil what could be the cause of some particular opinions Tennessee public accounting professionals have on some current international accounting issues facing our world today. The voices of public accountants had never been heard before, and now, with the help of these 103 gracious respondents, this study can be expanded into other states, with other attributes, to get down to the very heart of what makes a CPA think one way or another towards the ever expanding, yet ever closing in world of international accounting that our US professionals are facing today.

Appendix

EXHIBIT A: Survey Instrument

“How and When Matters”

An In-depth Look at Tennessee Public Accounting Professionals’
Perceptions of International Accounting
Professional Survey

1. How long have you been practicing public accounting?
☐ Zero to Five Years
☐ Five to Ten Years
☐ Ten to Twenty Years
☐ Over Twenty Years
2. What level of education have you completed?
☐ Undergraduate degree in Accounting only
☐ Undergraduate degree in Accounting plus a Master’s of Accountancy
☐ Undergraduate in Accounting plus a Master’s of Business Administration
☐ Undergraduate in Accounting with additional undergraduate hours
☐ Other: _____
3. Do you have a CPA certification including an active license to practice?
☐ Yes
☐ No
4. What size/type of public accounting firm do you work for?
☐ “Big 4” Firm
☐ National Firm/International Firm not considered a “Big 4”
☐ Large Regional Firm
☐ Small Regional Firm
☐ Local Firm

Please give your professional opinion to the statements in questions 5 - 9.

5. US GAAP are more difficult to implement than IFRS because IFRS are more principles based and US GAAP are more rules based.
- ☐ Strongly Agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly Disagree
6. Allowing international companies that are publicly traded in the United States to file in compliance with IFRS or their own country's accounting standards, which are not in compliance with US GAAP, is unfair to companies that are required to file under US GAAP.
- ☐ Strongly Agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly Disagree
7. The fact that foreign countries are adapting IFRS to meet their country's needs affects my opinion regarding the degree of acceptance of IFRS around the world.
- ☐ Strongly Agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly Disagree
8. Think back to 10 years ago and your opinion of the ongoing convergence of IFRS and US GAAP. Ten years ago, I believed the convergence of the two standards was inevitable.
- ☐ Strongly Agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly Disagree

9. Now, think to today and the current state of the convergence on lease standards, revenue recognition, and financial instruments. Today, I believe the convergence is still inevitable.
- ____ Strongly Agree
- ____ Agree
- ____ Neutral
- ____ Disagree
- ____ Strongly Disagree
10. If your opinion has changed over the last ten years, what is the reasoning behind the change?
11. What is your reaction to the recent proposal for U.S. companies to begin adopting IFRS voluntarily?
12. Are there any other issues with international accounting today you believe are pertinent to my study? Please explain.

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